

Syllabus for Econ 475

(updated on September 15th)

Econ 475

International Trade Theory

Fall 2021

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SCHEDULE

When: Tuesdays and Thursdays, 9:30 – 10:50

Where: Chancellors Hall 134

OFFICE HOURS

When: Tuesday and Thursdays 4:30 pm to 5:30 pm,

Where: Chancellors Hall 268

TEXTBOOK

Feenstra, R., and Taylor, A. *International Trade*. Worth MacMillan. (Available in the bookstore)

Additional readings will be posted in Blackboard as needed

COURSE GRADE

Homework (4 assignments) 15%

Potential grades: check plus, check, and check minus.

Exam 1 25%

Exam 2 25%

Policy memo* 30%

First draft: 5 points

Final version: 25 points

*Points strongly depend on teamwork performance

Attendance and participation 5%

SUBMISSION OF ASSIGNMENTS

All assignments should be submitted on time and online.

- The homework assignments must be submitted in a single pdf via Blackboard and should be organized, and with proper handwriting. If the homework is not submitted in a single pdf, or it is disorganized/hard to read, I will reduce your assignment grade.
- The policy memo must be submitted using Google Docs. The name of the document must be "LastName1_LastName2_PolicyMemo".

RELEVANT INFORMATION FOR ASSIGNMENTS

Homeworks.

- a. Problem set 1. September 24th
- b. Problem set 2. October 1st
- c. Problem set 3. November 5th
- d. Problem set 4. December 3rd

Exams. The dates of the exams will be the following:

- a. Midterm Exam. October 12th, 9:30 am (in class, **80 minutes**).
- b. Final Exam. December 14th, 9:00 am (**120 minutes**)

Policy memos.

- a. Memo for Trade Policy Recommendation.
 - **First draft**. October 22nd. (I strongly advise you to make an appointment with the Writing Resources Center and go over your draft before you send it to me).
 - **Final version**. December 10th (last day of classes in the official calendar)

Extra points. The extra points will be given to the Best Policy Memo (5 points of the final grade). If the policy memos of two teams tie, then I will give points to both teams.

Attendance and participation

I expect all students to attend class every day, and participate frequently in class. If a student attends all classes but she does not participate, she will see these points reduced substantially. I will monitor participation with detail.

If you feel shy about participating in class, you can come to office hours as a substitute. That is, if you do not participate in class but you come to office hours frequently, you will get full participation points.

Emergency extensions

If you experience a family or personal emergency, or there are extenuating circumstances preventing you from completing an assignment on time, you have the right to a one 24-hour extension on homework assignments. To obtain the extension you must email 24 hours before the deadline of the assignment. I kindly ask you not to abuse this policy.

RELEVANT ADMINISTRATIVE DATES (WILLIAM & MARY CALENDAR)

First day of classes. September 1st

Last day to add/drop. September 10th.

Last day to withdraw from a full-term course. November 1st

Last day of classes. December 10th

GRADES' CUTOFFS

The following cutoffs will define the differences between grade letters

- Some type of A: You need at least 90 points.
- Some type of B: You need at least 80 points.
- Some type of C: You need at least 70 points.
- Some type of D: You need at least 60 points.

TOPICS OF THE COURSE

Part A. Classical international trade models

1. **The Ricardian Model.** Why do nations trade with each other? This is the first trade theory that attempted to explain why countries trade (the concept was later used to explain intranational trade).
In the book: Chapter 2. Trade and Technology: The Ricardian Model.
2. **Specific-Factors Model.** A model that explains why there are winners and losers from trade.
In the book: Chapter 3. Gains and Losses from Trade in the Specific-Factors Model
3. **Heckscher-Ohlin-Vanek Model.** Why does the size of endowments (labor, capital, land) explain what a country exports? What happens if the size of endowments changes? What occurs with returns to endowments when international prices change? The convergence of factor prices.
In the book: Chapter 4. Trade and Resources: The Hecksher-Ohlin Model.

4. **Migration.** If labor flows freely between countries, what are the impacts? What are the role and the impact of migration? How do different economic models measure the impact of migration in the labor markets?

In the book (partially): Chapter 5. Movement of Labor and Capital Between Countries. Papers will be assigned for this part.

Other notes: I will add notes that are not in the book regarding general equilibrium effects of migration, and an agglomeration model.

Models used in migration: Hecksher-Ohlin, Specific Factors Model, Agglomeration Forces, General Equilibrium Effects in Labor Markets.

Part B. New International Trade Models

5. **Increasing Returns to Scale, Monopolistic Competition, The Role of Firms in Trade.** If two countries are like, should they trade with each other? How increasing returns to scale impact international trade? Which firms export and import goods?

In the book: Chapter 6. Increasing Returns to Scale and Monopolistic Competition.

6. **Globalization and Development. How Outsourcing Impacts Developing Nations.** Why multinational corporations allocate their production in different countries? What is the impact of this on the payments to labor? What is the impact of multinational corporations in developing nations?

In the book (partially): Chapter 7. Offshoring of Goods and Services. I will add some readings in this section.

Part C. International Trade Policy

7. **Trade Policy under Perfect Competition.** Impacts of tariffs, export taxes, export subsidies, and quotas on domestic and international prices and output.

In the book: Chapter 8: Import Tariffs and Quotas Under Perfect Competition.

8. **Industrial Policy.** Industry protection. Subsidies to specific sectors. Infant industry argument. Import substitution model: Asian vs. Latin American experience.

In the book (partially): Chapter 10. Export Subsidies in Resource-Based and High Technology Industries. I will add some readings in this section. I will add some readings in this section.

9. **Trade Agreements.** Why trade agreements exist. The role of the World Trade Organization. The North American Free Trade Agreement and The European Union. The political economy of free trade agreements.

In the book: Chapter 11. International Agreements: Trade, Labor and the Environment. I will add some readings in this section. I will add some readings in this section.

GENERAL INSTRUCTIONS FOR ASSIGNMENTS

General instructions. Problem sets and policy memos are due by 11:59 pm (see information for the dates below). The submission of all assignments is electronic: you will solve the assignment in paper by handwriting (a tablet is acceptable), and you should scan or take a clear picture of the homework assignment. I do not accept late assignments.

EXAMS

My exams. I test mathematical theory, economic intuition and your capacity to explain economic concepts in a concise manner. I use real business or real policy issues. Why? i) your job as a future economist is to explain difficult concepts to your future bosses or clients, based on real life events. ii) a good economist knows theory, intuition and has very good communication skills.

Some friendly advice. I strongly advice you to do the following things to do well in my exams:

- i. **Start studying 2 weeks before the exam.** I am very serious about this recommendation. You should slowly start reviewing the material a couple of hours per day. A few days before the exam you might increase the number of hours. Why? You have many assignments and responsibilities, the material is extensive, and I will ask questions that test your knowledge, not your memorization skills. Therefore, studying two or three days before the exam is likely to result in a poor performance.
- ii. **Create a cloud of ideas.** Make a list or a cloud of ideas of all the topics. This will allow your brain to organize all the material.
- iii. **Solve the practice exam under test conditions.** Sit down in your desk and solve the practice exam in 80 or 120 minutes (depending on whether it is a midterm or a final). Then verify which topics you struggle with.

SOME ADVICE ON HOMEWORKS

The problem sets in this class will have standard theoretical questions. There are questions about applying a theoretical concept to a public policy scenario. My advice for the problem sets is the following:

- a. Every student should submit their homework individually. You can create a small group at the beginning of the semester, work on the problem sets alone, and discuss between each other solutions.

- b. Come to office hours

Although the grading weight of homeworks is small, they can represent the difference between a B+ and A-.

POLICY MEMO

The Policy Memo corresponds to the second part of the class. There are many types of Policy Memos, but the one I chose for this class is “Memo for Policy Recommendation”.

The main objective of this assignment is to simulate what would be your job as Economist/Policy Analyst if you would need to provide relevant and rigorous information to a high ranking official (e.g. Senior Advisor to the President, Congresswoman, Minister of Economy and Trade in a developing nation, Director-General of the World Trade Organization).

A common job of a Junior Economist/Policy Analyst is to inform senior officials about very technical topics that have a high impact. These senior officials are experts on specific areas, but a) they have very little time, b) they are subject to high political pressure to make informed decisions regarding very technical concepts c) they strongly rely on their advisory teams. Hence, a policy memo needs to be based on highly informed and technical expertise.

The policy memo will correspond to trade policy actions from the real world. I build these assignments based on both real-life events and policies regarding different policy actions. The policy memo must be concise, rigorous, and driven by economic theory. There is no space for “cheap talk”, “editorial opinions” or “claims that are not backed up by evidence”.

Example of a policy memo assignment

Your work for an international trade expert who will provide testimony to the U.S. Senate Committee on Health, Education, Labor, and Pensions. The testimony is about the following topic: the Trump Administration is considering the end of the OPT program, which allows international students with specific visas to work for 1 year after they finish their undergraduate or graduate degrees (with an extension of 2 extra years if they have a STEM degree).

The Chairman of the U.S. Senate Committee has declared publicly that he is in favor of the program. Your job is to write a trade policy memo that explains his position from an economic point of view. More specifically

- a) *How the policy of ending OPT would impact the comparative advantage of the USA in specific sectors*

b) *Why the OPT program benefits the exports of software services.*

Caveat: *Given that this is expert testimony, it is possible to use “technical terms”, as the theoretical concepts we have seen in class. Make sure you explain in a clear way the economic definitions you will use. It also expected that you use some basic data.*

General Instructions for the Policy Memo

1. Main instructions.

- a. The policy memo must be written in teams of 2 or 3 students.
- b. The memo must be submitted electronically using your Google Docs account.
- c. You will submit a first draft (October 23rd) and a final version (December 10th). Both are graded, but the rubric will be different.
- d. When you submit your first draft, I will schedule office hours with each team. Attendance to those office hours will be considered in the grading.

2. The nature of the assignment. I take this assignment as seriously as an exam. Therefore, I grade it very rigorously. I will post a rubric in Blackboard.

3. Feedback from Students Writing Center. I strongly encourage you to make an appointment with the center at least 1 or 2 weeks before you submit your first draft.

4. Feedback from the instructor. My job is to provide you with feedback about the assignment. I will ask you to submit a draft of this assignment.

- a. The first draft will be considered when I grade the policy memo. If you write the policy memo one day before the deadline or if its quality is very low, I will notice it and your grade will be negatively impacted.
- b. I will schedule individual 20-minute meetings after you submit the memo via Zoom. Prepare questions for me.

5. How to get a good grade. My experience with assignments like this one is that they require frequent feedback from the instructor even when you think that the assignment is very good. If you leave this assignment to the last minute, there is a high likelihood that you will obtain a low grade.

6. How to submit the policy memo. You must create a Google Docs document named “Last Name of Student 1_Last Name of Student 2_PolicyMemo”.

- a. You can submit the first draft before the deadline.
- b. If you do submit the first draft before the deadline, I can provide extra feedback (this feedback is independent of the office hours after the deadline) which will be useful to get a better grade.

7. Teamwork. I will evaluate your teamwork through several mechanisms (surveys and feedback from your teammates).

IMPORTANT ANNOUNCEMENTS

Health circumstances

I understand that it might be possible that health-related circumstances can prevent you from submitting an assignment or being present in an exam. If this is the case, I will provide accommodations. These accommodations can be only be accessed with the submission of proper documentation. Please contact the [Student Health Center](#) for any health issues that prevent you from attending class or submitting assignments.

Mental health

The current pandemic can impact the mental health of any student. If you are experiencing distress, I encourage you to contact the [Counseling Center](#). It is completely normal to talk with a mental health expert and I encourage you to do so if you feel overwhelmed or anxious by the current circumstances.

Extenuating non-health circumstances caused by pandemic COVID-19

If there is an extenuating circumstance that prevents you from attending class for more than two weeks (e.g. a family member is hospitalized, there is an issue with your student visa, you have to take an international flight due to an emergency), please do the following:

- Contact me via email
- If the issue is health-related, please contact the [Student Health Center](#)
- If the issue is related to your visa, please contact the [Reves Center](#)
- For any other issues, please contact the [Dean of Students](#) office

Student Accessibility Services

William & Mary accommodates students with disabilities in accordance with federal laws and university policy. Any student who feels they may need an accommodation based on the impact of a learning, psychiatric, physical, or chronic health diagnosis should contact Student Accessibility Services staff at 757-221-2512 or at sas@wm.edu to determine if accommodations are warranted and to obtain an official letter of accommodation. For more information, please see www.wm.edu/sas.

Honor Code

"The College of William & Mary has had an honor code since at least 1779. Academic integrity is at the heart of the College, and we all are responsible for upholding the ideals of honor and integrity. The student-led honor system is responsible for resolving any suspected violations of the Honor Code, and I will report all suspected instances of academic dishonesty to the honor system. The Student Handbook (www.wm.edu/studenthandbook) includes your responsibilities as a student and the full

Code. Your full participation and observance of the Honor Code is expected. To read the Honor Code, see www.wm.edu/honor"

RULES IN MY CLASSES

- **Honor Code.** I take very seriously the Honor Code in this class. If I suspect plagiarism or cheating in any of the assignments, I will follow the [guidelines](#) established by the Dean of Students.
- **Electronic devices.** Please silence your cell phones, pagers, tablets, sports bands, sport watches, etc. It is obvious if you are watching YouTube videos on your phone, laptop, or tablet. It distracts your classmates and the instructor. Please refrain from doing so.
- **Homework assignments.** I expect you to submit the homework assignments individually.
- **Submission of assignments.** The submissions of the assignments will be online. The assignment should be submitted by 11:59 pm of the day specified in the syllabus, or by the instructor in case there were any adjustments.
- **Policy memos.**
 - o I expect you to work exclusively with your teammate(s).
 - o I will revise very carefully this assignment; with the level of detail and attention an exam is evaluated (you can consider this assignment as a third exam).
 - o You can obtain feedback from the Writing Resources Center and me. For this assignment, I want the teams to work by themselves.
 - o I will evaluate the knowledge and the participation of both students in the Policy Memo. If I find out that only one student wrote the entire Policy Memo, I will reduce the grade of both students.
 - o Students must show up for Policy Memo office hours in pairs. I will not provide feedback to only one student (unless there is a special accommodation due to health or special personal circumstances). Not attending the special office hours for the Policy Memo will impact your grade negatively.
- **Exams.**
 - o You should work in the exam alone.
 - o I expect the exam to be closed book (unless otherwise indicated).
 - o If we switch to online courses, there might be adjustments to these rules.
 - o You should turn off your phones during the exam.